



GOVERNOR'S OFFICE OF
BUDGET AND PROGRAM PLANNING

Fiscal Note 2009 Biennium

Bill #	HB0130	Title:	Suspend water adjudication fee
Primary Sponsor:	Campbell, M.	Status:	As Introduced

- | | | |
|---|--|--|
| <input type="checkbox"/> Significant Local Gov Impact | <input checked="" type="checkbox"/> Needs to be included in HB 2 | <input checked="" type="checkbox"/> Technical Concerns |
| <input type="checkbox"/> Included in the Executive Budget | <input type="checkbox"/> Significant Long-Term Impacts | <input type="checkbox"/> Dedicated Revenue Form Attached |

FISCAL SUMMARY

	<u>FY 2008 Difference</u>	<u>FY 2009 Difference</u>	<u>FY 2010 Difference</u>	<u>FY 2011 Difference</u>
Expenditures:				
General Fund	\$20,454,275	\$0	\$0	\$0
State Special Revenue	(\$115,592)	\$0	(\$140,367)	\$0
Revenue:				
State Special Revenue	\$10,250,822	\$596,068	(\$5,556,816)	\$405,226
Net Impact-General Fund Balance	(\$21,000,000)	\$0	\$0	\$0

Description of fiscal impact:

This bill would suspend the water adjudication fee imposed by 85-2-276, MCA, and appropriates \$4.6 million to refund fees to owners who paid \$400 or less in 2006. This bill would transfer \$15.9 million from the general fund to the water adjudication fund to pay for the water adjudication process.

FISCAL ANALYSIS

Assumptions:

1. Under current law (85-2-276, MCA), water rights owners are required to pay a fee to fund the water rights adjudication process by January 31 of each even numbered year through 2014. Fees are assessed on a sliding scale based on the size and type of each water right and the number of water rights.
2. Fees to the water adjudication fund would be reduced by approximately \$4,100,000 in FY 2008, FY 2010, FY 2012, and FY 2014.

Department of Natural Resources and Conservation (DNRC)

3. DNRC would hire temporary employees to compile a list of water rights holders to receive rebates and the amounts to rebate at a cost of \$236,225, including other operating costs of \$12,950 to convert the Dept of Revenue (DOR) payment records to PDF format, and \$6,600 to print the PDF file, totaling \$255,775.

Section 4 appropriates \$231,000 from the general fund to pay these costs. Assume the \$24,755 difference will be funded by the water adjudication fund.

4. Interest earned by the water adjudication fund is retained in the fund. Interest earnings rate will be 4.598% of average balances in FY 2008 and 4.557% in FY 2009 through FY 2010 (HJR2).
5. The \$15.9 million will be transferred to the water adjudication fund at the beginning of FY 2008. Current law requires the water adjudication fees to be paid by January 31 of each even numbered year through 2014. The suspension of the fees due in each billing cycle is \$4,100,000 and reduces the fund. Program expenditures will be spent evenly over eight fiscal years, at a rate of \$2,600,000 per year through 2015 and \$1,000,000 through 2020. In FY 2008, the average balances in the water adjudication fund will be \$15,032,377 higher and interest earnings will be \$691,189 higher. Average balances will be \$13,080,262 higher in FY 2009, \$11,033,941 higher in FY 2010, and \$8,892,396 higher in FY 2011. Increased interest earnings will be \$596,068 in FY 2009, \$502,817 in FY 2010, and \$405,226 in FY 2011.
6. The net change in deposits to the water adjudication fund would be \$10,366,414 in FY 2008 (\$15,900,000 general fund transfer - \$4,100,000 suspended billing + \$691,189 additional interest), \$596,068 in FY 2009 (additional interest), (\$5,697,183) in FY 2010 (\$502,817 additional interest - \$4,100,000 suspended billing), and \$405,226 in FY 2011 (additional interest).
7. Assume DNRC achieves the establish benchmarks and the base budget for adjudication continues to be funded in the Water Resources Division.

Department of Revenue (DOR)

8. Sections 1 and 2 of this bill would refund fees paid in 2005 and 2006 by water rights owners who were assessed fees of \$400 or less. Refunds would be paid from the general fund, and Section 1 appropriates \$4.6 million for the refunds – see technical note 1.)
9. Section 8 would suspend fees of \$400 or less through 2014. In the first billing, 90,858 water rights holders paid fees of \$400 or less each. They paid a total of \$4,100,000. This amount will be refunded in FY 2008. One percent of refunds will be undeliverable, so that the amount paid out will be \$4,054,275 (99% x \$4,095,228 fees paid).
10. DOR's costs for printing and mailing refund checks and 1099s would be \$269,000. Section 4 appropriates \$269,000 from the general fund to pay these costs.
11. Section 3 requires a transfer of \$15.9 million from the general fund to the water adjudication fund in FY 2008 to fund the water adjudication process through FY 2020.
12. Under current law 85-2-276(3), MCA, DOR is entitled to recover its costs of collecting water adjudication fees from the fees collected. The department's costs and reimbursement for collecting the fees due in 2006 were \$140,367. If this bill passes, the department's costs and expenditures from the water adjudication fund will be reduced by this amount in FY 2008 and FY 2010.

	<u>FY 2008 Difference</u>	<u>FY 2009 Difference</u>	<u>FY 2010 Difference</u>	<u>FY 2011 Difference</u>
<u>Fiscal Impact:</u>				
DNRC				
<u>Expenditures:</u>				
Operating Expenses	\$255,775	\$0	\$0	\$0
<u>Funding of Expenditures:</u>				
General Fund (01)	\$231,000	\$0	\$0	\$0
State Special Revenue (02)	\$24,775	\$0	\$0	\$0
TOTAL Funding of Exp.	\$255,775	\$0	\$0	\$0
<u>Revenues:</u>				
State Special Revenue (02)	\$10,391,189	\$596,068	(\$5,697,183)	\$405,226
DOR				
<u>Expenditures:</u>				
Operating Expenses	\$128,633	\$0	(\$140,367)	\$0
Refund	\$4,054,275	\$0	\$0	
Transfers	\$15,900,000	\$0	\$0	\$0
TOTAL Expenditures	\$20,082,908	\$0	(\$140,367)	\$0
<u>Funding of Expenditures:</u>				
General Fund (01)	\$20,769,000	\$0	\$0	\$0
State Special Revenue (02)	(\$140,367)	\$0	(\$140,367)	\$0
TOTAL Funding of Exp.	\$20,628,633	\$0	(\$140,367)	\$0
<u>Net Impact to Fund Balance (Revenue minus Funding of Expenditures):</u>				
General Fund (01)	(\$21,000,000)	\$0	\$0	\$0
State Special Revenue (02)	\$10,506,781	\$596,068	(\$5,556,816)	\$405,226

Long-Range Impacts:**DNRC**

1. Water rights fees of approximately \$4,100,000 would not be collected in FY 2012 and 2014.
2. The water adjudication fund would earn additional interest of \$303,095 in FY 2012 declining to \$0 by FY 2015.

DOR

3. Collection costs of \$140,367 would not be incurred in FY 2012 and 2014.

Technical Notes:

1. Section 1 (2) appropriates \$4.6 million from the general fund, these refunds would not be recorded as an expenditure to the DOR.
2. Section 2(3)(c) implies that DOR is to determine when a third party can receive a refund on behalf of the party who paid the fee. The DOR will issue refunds, but the DNRC has the water rights ownership and original payment records that are needed to determine eligibility for a refund.

3. Section 3(1) requires funds to be transferred from the general fund to the water adjudication fund but does not specify who is to make the transfer. Specifying who is to make the transfer would avoid confusion at the time the transfer is to be made.
4. Section 3(2) requires an ending fund balance of \$100 million, but does not indicate which fund.
5. Assuming section 3(2) is referring to the general fund, it requires the office of budget and program planning to reduce the one-time-only transfer of \$15.9 million in Section 3(1) but the transfer must take place on July 1, 2007.

Sponsor's Initials

Date

Budget Director's Initials

Date